

II. PROGRAM PARTICIPATION REQUIREMENTS

CalCAP CS encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing.

CalCAP CS provides up to a 40% cash deposit to cover the collateral shortfall of a small business loan. By participating in CalCAP CS, lenders can insulate themselves from losses on small business loans they feel are uncollateralized.



Almost any business loan is eligible under CalCAP CS, with few exceptions noted below. Loans can be used to finance the construction or renovation of buildings, purchase of equipment, improvement of facilities for energy and environmental efficiency, bridge loans needed prior to obtaining permanent financing, and other capital projects and working capital.



There are limitations on real estate loans and loan refinancing. Other prohibited uses of loan proceeds include gambling facilities, bars, liquor stores, gun sales, tobacco manufacturing and sales, and adult entertainment business.



Refer to CalCAP Regulations 8078.2 as appended in Chapter VIII for full disclosure of eligible and ineligible uses of loan proceeds.

Flexibility	Restrictions
<ul style="list-style-type: none"> ▪ Lenders set all the terms and conditions of the loans and decide which loans to enroll into CalCAP CS. ▪ Lenders determine the collateral level to be requested from CalCAP CS. Collateral support can be reduced at any time after loan is enrolled. ▪ Loans can be short- or long-term, have fixed or variable rates, be secured or unsecured, and bear any type of amortization schedule. 	<ul style="list-style-type: none"> ▪ \$100,000 minimum loan principal amount. ▪ \$20M maximum loan principal amount. ▪ \$5M maximum collateral support per loan and borrower. ▪ Maximum 40% of principal supported by CalCAP CS unless business is located in a Severely Affected Community. CalCAP CS support is then increased by an additional 10% with a 50% maximum. ▪ Support extends to a maximum of 7 years from the date of the loan. ▪ The borrower must have their “primary economic effect” in California where one of the following conditions exists: <ul style="list-style-type: none"> ○ At least 51% of the total revenues of the business activities are generated in California; or ○ At least 51% of the total jobs of the business are created or retained in California. ▪ The borrower’s business must be in one of the industries listed in the qualified Standard Industry Classification (SIC) or the North American Industry Classification System (NAICS) codes list. ☞ NAICS: http://www.census.gov/eos/www/naics ▪ The small business must be classified as a small business under U.S. Small Business Administration guidelines (Title 13 of the Code of Federal Regulations) and have fewer than 750 employees. ☞ U.S. Small Business Administration Guidelines: http://ecfr.gov